

**Hughes Aircraft
Employees Federal
Credit Union**

1440 Rosecrans Ave.
P.O. Box 10003
Manhattan Beach
CA 90267-7503

310.643.5511

Fax 310.643.5411

kfkeddie@aol.com

kfkeddie@paymaster.org

December 15, 1997

Ms. Cynthia L. Johnson, Director
Cash Management Policy and Planning Division
Financial Management Service
U.S. Department of the Treasury, Rm. 420
401 14th Street SW
Washington, DC 20227

Re: Electronic Funds Transfer '99

Dear Ms. Johnson:



Kevin S. Foster-Keddie
*President and
Chief Executive Officer*

The Hughes Aircraft Employees Federal Credit Union (HAEFCU) appreciates the opportunity to comment on this important regulation. The United States is a major issuer of payments to citizens of all ages and its efforts to make these payments electronically is important to all financial institutions. It will assist financial institutions in convincing their customers/members that "electronic banking" can be safe, convenient, cost-effective for both the institution and the customer/member.

Participation of Financial Institutions: Since the United States Government is such a major player in financial transactions, we firmly believe that all federally-insured financial institutions must be given the opportunity to participate in the mandatory receipt of federal payments via electronic means. To limit the types of financial institutions that may participate could create an unfair competitive advantage to those institutions participating and those who are denied access to participate. We do believe there is good reason to limit participation to federally-insured institutions for the obvious reasons of safety and soundness. Of course, we are in favor of allowing each qualified institution the right to choose to participate or not to participate.

Uniqueness of Credit Unions: Credit unions are unique among financial institutions because of their "fields of membership" requirements. We support a system that would qualify credit unions to participate by allowing a universal enlargement of each field of membership to include "unbanked recipients of government payments." This will allow maximum consumer choice in determining which financial institution to use to receive such payments. When a consumer chooses a credit union to provide government payments, the consumer should enjoy full membership benefits just as he/she would enjoy the full range of services of any other financial institution.

Fees and Charges: Although we would not object to some standard fee for processing government payments, we feel that financial institutions should be free to compete for the consumers business by offering more favorable fees or no fee at all. If the program is to include a provision for giving the consumer an ATM and/or debit card as a means of disbursing the funds in his/her account, the fee to be

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charged, if any, should be left up to the financial institution and the competitive forces of the marketplace. Of course, if the ATM and/or debit card is abused, normal regulatory error resolution should be in place along with the right of the institution to restrict the consumer as appropriate when abuses are discovered. We support a rule that would allow financial institutions to compete on features other than fees that would be available to the consumer with minimal regulatory involvement. These features would include such things as number of ATM transactions per statement period, debit card features, account features, and further deposits and/or account availability.

Proposed Bidding Process: The Department of the Treasury is proposing to formulate some sort of bidding process for those recipients who do not choose a financial institution. One proposal is to bid areas as large as Federal Reserve Districts. This might place credit unions in a position where they cannot compete for these recipients. Credit unions have fields of membership from which they draw members. Usually, these fields of membership are much smaller than any Federal Reserve District. We would propose that the Department of the Treasury seek to bid smaller geographical areas, such as check processing regions or counties. Smaller bid areas would attract more competition and would allow smaller financial institutions, such as credit unions and savings banks, to compete in the bidding process.

Traditionally, credit unions have provided quality service to members at competitive prices. Credit unions have the ability to provide financial services to the underserved in communities where poverty and other factors have led other financial institutions to cease operations. To propose a plan and regulation that would make it difficult for credit unions to participate would not only lessen competition but would be detrimental to consumer's right to choose their financial institution.

Thank you for the opportunity to comment on this proposed regulation. If you have questions or would like clarification on any of the comments offered, please contact me at the telephone number listed above or contact Mr. John C. Smith, V.P. & General Counsel, at (310) 643-5588.

Very truly yours,



Kevin S. Foster-Keddie
President & CEO

cc: NAFCU
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